

IRS News Release

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Interest Rates Drop for the First Quarter of 2008

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WASHINGTON – The Internal Revenue Service today announced that interest rates for the calendar quarter beginning January 1, 2008, will drop by one percentage point. The new rates will be:

- seven (7) percent for overpayments [six (6) percent in the case of a corporation];
- seven (7) percent for underpayments;
- nine (9) percent for large corporate underpayments; and
- four and one-half (4.5) percent for the portion of a corporate overpayment exceeding \$10,000.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points. Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3 percentage points and the overpayment rate is the federal short-term rate plus 2 percentage points. The rate for large corporate underpayments is the federal short-term rate plus 5 percentage points. The rate on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the federal short-term rate plus one-half (0.5) of a percentage point.

The interest rates announced today are computed from the federal short-term rate based on daily compounding determined during October 2007.

Revenue Ruling 2007-68, announcing the new rates of interest, is attached and will appear in Internal Revenue Bulletin No. 2007-52, dated December 24, 2007.